

Ethics and Risk Management

by Robert H. Moore



Δ THE SAVINGS AND LOAN DEBACLE is a virtual sinkhole, which will eventually cost American taxpayers an estimated \$500 billion.

Δ MAJOR INSURER INSOLVENCIES, especially among life companies, have become headline news.

Δ BANK OF CREDIT AND COMMERCE INTERNATIONAL has been seized and senior bank officers located in several countries are being charged with running a racketeering enterprise.

Δ THE MANAGEMENT OF JAPAN'S FUJI BANK and smaller institutions have been accused of fraudulent transactions involving billions of dollars.

Beyond the public scrutiny of financial services, ethical dilemmas are also arising across a broad spectrum of industries. For instance, physicians have come under attack for having financial interests in the labs that conduct their tests, and at least one major accounting firm has collapsed under the weight of lawsuits over gross professional negligence.

Business and personal ethics

are being further complicated by difficult economic conditions. Recessionary pressures are forcing many industries to cut expenses and downsize to compete. The threat of layoffs and other workplace pressures tend to relegate the issue of ethics to the periphery.

As once discrete professions fight for survival, distinguishing features among service businesses are blurring. The persistent soft market continues to test the insurance industry. Brokers and underwriters compete for a

TODAY, THE CLIMATE for ethical conduct is increasingly volatile. The entire financial services industry has come under intense scrutiny on account of a confluence of forces. In the United States, the public's heightened concern about ethics in the securities, banking and insurance industries is threatening the essential asset of the financial services industry—America's confidence in our financial stability and security. Nationally, as well as globally, financial services are under siege: Δ WALL STREET CONTINUES TO BE SHAKEN by various criminal allegations leading to trials and imprisonment.

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